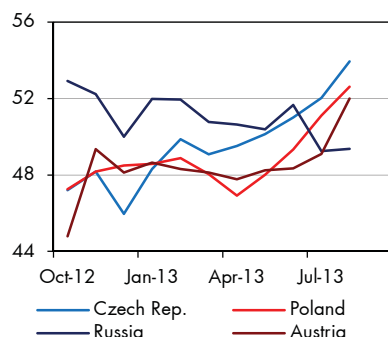


PMI in CE show upward trend



Source: Markit, Thomson Reuters, Raiffeisen RESEARCH

Market snapshot

	curr.*	Dec-13	Mar-14	Jun-14
Poland				
EUR/PLN	4.23	4.15	4.10	4.00
Key rate	2.50	2.50	2.50	2.50
10y bond	4.4	4.6	4.6	4.7
Hungary				
EUR/HUF	299.8	300	305	300
Key rate	3.60	3.50	3.20	3.20
10y bond	5.7	6.5	6.8	6.5
Czech Rep.				
EUR/CZK	25.7	25.5	25.4	25.1
Key rate	0.05	0.05	0.05	0.05
10y bond	2.2	2.6	2.8	3.1
Romania				
EUR/RON	4.46	4.50	4.45	4.50
Key rate	4.50	3.75	3.50	3.50
10y bond	5.1	5.0	5.0	5.1
Croatia				
EUR/HRK	7.61	7.60	7.57	7.48
Key rate	6.25	6.00	6.00	6.00
10y bond	4.9	5.5	5.6	5.6
Russia				
USD/RUB	32.4	33.0	32.5	33.2
Key rate	5.50	5.25	5.25	5.25
10y bond	7.2	7.2	7.0	7.3
Turkey				
USD/TRY	2.03	1.95	2.00	2.10
Key rate	4.50	4.50	5.00	5.50
10y bond	8.9	9.2	9.7	10.0
EUR/USD	1.35	1.30	1.31	1.29

* prices as of 27 September 2013, 09:52 a.m. CET
Source: Thomson Reuters, Raiffeisen RESEARCH

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Open positions

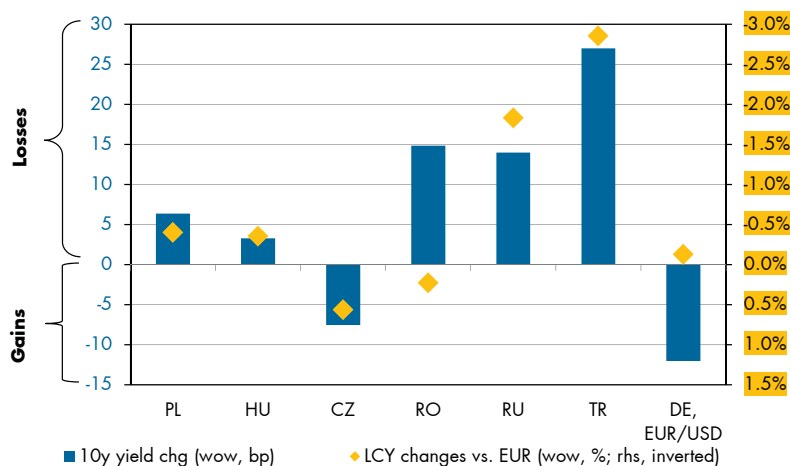
CEE LCY bonds: long RON 2y; long SI 5y; short CZK >5y

CEE FX: currently no open FX trading idea

No re-pricing due to Fed decision

With the first positive reaction of the Fed decision not to start tapering just yet gone, CEE yields and FX rates quickly moved back to the pre-decision levels. It is obvious that the Fed only postponed the start of reducing its bond buying program, therefore the overall expectation of tapering has not changed. Meanwhile Hungary continued with its interest rate cutting cycle and used the supportive external environment to cut by another 20bp to 3.6%. At the Czech rate setting meeting investors were more focused on possible start of FX intervention as the interest rate is already at practically zero. The decision not to start with interventions gave significant short-term support to EUR/CZK. Next week will feature additional key rate meetings in Romania and Poland. While we expect a stronger 50bp cut in Romania to 4% (Consensus is looking for a 25bp cut), the key rate in Poland is likely to have found its bottom at the current 2.5%. Manufacturing PMI next week will also be on the agenda for a number of CEE countries, data from July already showed an improvement and markets will be watching for a confirmation.

Last week's changes



Source: Bloomberg, Raiffeisen RESEARCH

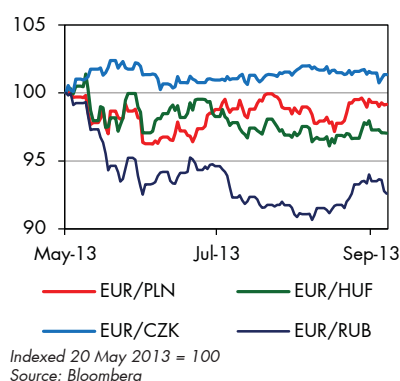
Data highlights upcoming week

Date	Indicator	Period	est.	High	Mean	Low	Prev.
30-Sep	RO Key rate, %	Sep	4.00	4.25	4.25	4.00	4.50
01-Oct	PL PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	52.6
01-Oct	HU PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	51.7
01-Oct	CZ PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	53.9
02-Oct	PL Key rate, %	Oct	2.5	n.a.	n.a.	n.a.	2.5

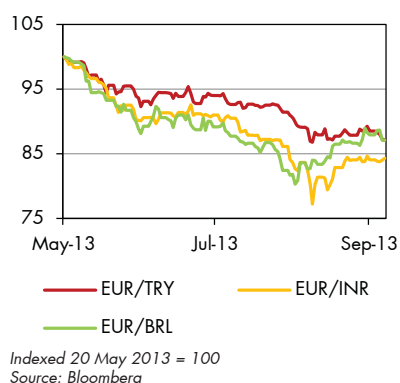
Source: Bloomberg, Raiffeisen RESEARCH

Focus on: No striking effects from Fed surprise

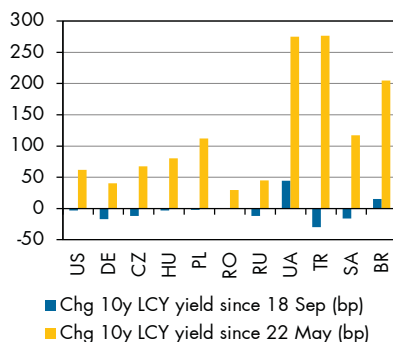
FX vs EUR



FX vs EUR



10y yield changes



Ever since the Fed had first indicated the beginning of a reduction in bond purchases back in May CEE financial markets had begun to adjust. Liquidity was being transferred from the Emerging Markets (especially Asian currencies weakened) back to the Developed Markets. With the wording by the Fed and the repositioning taking place the decision not to start tapering in September surprised. Nevertheless, this only indicates a postponement of the tapering and does not really change the expectations - therefore the positive effects on EM FI and FX markets following the decision were extremely short-lived.

Volatility has likewise increased considerably after the Fed indicated the possible reduction of its bond buying program back in May. We expect volatility to fall in the coming months as markets have adjusted ever since. However, the phases of spikes in volatility are bound to return in 2014/2015 when the focus will turn towards possible interest rate hikes in the established economies. We still think that the reduction of bond purchases will start by the end of 2013 and will be announced on the next meeting in October or in December at latest.

In our view we have probably already seen the biggest adjustment in CEE currencies until year end – at least against the Euro. Economic indicators that point towards improving economic activity should even support a light appreciation trend against the Euro in most CEE countries until the end of 2013. Only when the tapering topic is being followed by a real reduction of liquidity (meaning no reduction in a bond buying program, but a real reduction in liquidity) in the course of 2014/2015 would we expect the next round of pressure on Emerging Market currencies.

For the fourth quarter 2013 we project biggest potential for the EUR/TRY on hopes of some rebound after the phase of weakening. Despite some small appreciation potential against the Euro, a projected strengthening of the USD against the Euro leaves the CEE currencies a touch weaker against the USD.

CEE local currency bond markets should continue to be driven by core market developments. We think the FOMC did not postpone the reduction of bond purchases because the outlook for the economy or the labor market have deteriorated lately, but only to punish markets and to prevent a further increase in yields (and intensifying speculations on possible rate hikes). Following the historical Fed decision from mid-September, CEE debt markets followed the moderate decline in US treasury and Bund yields, giving a pause to the continuously looming upward pressure they felt in recent months. In contrast, the hardest-hit bond markets in Emerging Asia (e.g. Indonesia) and LatAm (e.g. Brazil) couldn't benefit from the recent relaxation on global bond markets. Turkey, finally, belongs to the harder-hit group (current account deficit countries), but could recently reverse some of its massive losses.

Looking ahead, we continue to believe that pressure on CEE debt markets, especially on the long end of the curves is set to be revived after Fed tapering finally materializes. In the aftermath our baseline scenario projects a period in which markets stomach the new global monetary setup better. With intensifying US rate hike speculations in mid-2014, pressure should mount, sending CEE long end yields on renewed upward trend. At the same time, any policy response to counterbalance the adverse effects from the global stage is limited, since the expected economic recovery should intensify rate hike speculations following the massive monetary easing cycles we have seen in e.g. Poland, Hungary and Romania.

Wolfgang Ernst, Stephan Imre

Data calendar and country section

This week, previous week: key data releases						Upcoming week: key data releases							
Date	Indicator	Period	Actual	Prev.		Date	Indicator	Period	est.	High	Mean	Low	Prev.
23-Sep	HR Unemployment rate, %	Aug	18.4	18.5		30-Sep	HU PPI, % yoy	Aug	2.1	2.2	2.1	1.8	1.3
24-Sep	PL Retail sales, % yoy	Aug	3.4	4.3		30-Sep	RO Key rate, %	Sep	4.00	4.25	4.25	4.00	4.50
24-Sep	PL Unemployment rate, %	Aug	13.0	13.1		30-Sep	HR Industrial output, % yoy	Aug	-1.5	n.a.	n.a.	n.a.	-4.1
24-Sep	HU Key rate, %	Sep	3.6	3.80		30-Sep	HR Real wages, % yoy	Jul	n.a.	n.a.	n.a.	n.a.	-2.1
24-Sep	TR Capacity utilization, %	Sep	75.4	75.5		30-Sep	BG PPI, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	-1.8
26-Sep	CZ Key rate, %	Sep	0.05	0.05		30-Sep	RS Industrial output, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	12.5
27-Sep	HU Current account, EUR mn	Q2	612	549		30-Sep	RS Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	-4.0
27-Sep	HU Unemployment rate, %	Aug	9.9	10.1		30-Sep	RS GDP, % yoy	Q2	0.7	n.a.	n.a.	n.a.	1.9
						01-Oct	PL PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	52.6
						01-Oct	HU PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	51.7
						01-Oct	CZ PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	53.9
						01-Oct	CZ Budget balance, CZK bn	Sep	n.a.	n.a.	n.a.	n.a.	-32.2
						01-Oct	RU PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	49.4
						01-Oct	RU GDP, % yoy	Q2	n.a.	n.a.	n.a.	n.a.	1.2
						01-Oct	TR PMI, points	Sep	n.a.	n.a.	n.a.	n.a.	50.9
						02-Oct	PL Key rate, %	Oct	2.5	n.a.	n.a.	n.a.	2.5
						02-Oct	RO Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	-0.7
						02-Oct	RO PPI, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	1.6
						03-Oct	TR CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	8.17
						03-Oct	TR PPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	6.38
						04-Oct	HU Retail sales, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	1.2
						04-Oct	CZ Retail sales, % yoy	Aug	n.a.	-0.8	-1.0	-3.0	4.0
						04-Oct	HR Retail trade, % yoy	Aug	n.a.	n.a.	n.a.	n.a.	0.4
						04-Oct	RU CPI, % mom	Sep	n.a.	n.a.	n.a.	n.a.	0.1
						04-Oct	RU CPI, % yoy	Sep	n.a.	n.a.	n.a.	n.a.	6.5

Source: Bloomberg, Raiffeisen RESEARCH

Poland – Polish bond market pared gains in the last days and yields seem to have retuned into an upward trend. Domestic data on retail sales did not have any effect on the market, which confirms that local developments are currently of no concern. Still, in the next week two important events are scheduled: the PMI reading on Monday and the MPC decision on Wednesday. As the latter is unlikely to surprise, the PMI will be mostly eyed and in our opinion could be a bit disappointing and supportive for bonds. Still, the general bearish tendency should hold and the 3.6% support on the 5-year benchmark should hold.

Analyst: Paweł Radwański (+48 22 585 20 00)

Hungary – After easing monetary conditions by 20bp, the Hungarian central bank published its newest Inflation Report. The staff cut the inflation forecasts considerably due to the coming round of administered cuts in household energy prices. The MNB projects 2.0% CPI in 2013 and 2.4% next year. At the same time, they raised the forecasts for growth (to 0.7% this year and 2.1% next year) and noted that this is partially due to the Funding for Growth Scheme.

Next week PPI and retail figures will be released. We expect a small increase in producer prices due to the base effect and the weakening forint, while retail sales will decelerate somewhat (1.0% yoy) from July's improvement (1.8% yoy).

Analyst: Adam Keszeg (+36 1 484 4313)

Czech Republic – As we expected at the monetary council meeting the Czech National Bank did not start FX intervention against CZK. The CNB also did not change the key rate of 0.05% and repeated that the probability of FX intervention had not changed and remained high. As there had been market speculation about intervention, the CNB decision led to CZK appreciation vis-à-vis EUR. Apparently, some market players had misinterpreted the board members' comments ahead of the decision. However, the latest CNB meeting did not change our expectations about the CNB: we do not expect direct FX intervention unless we see intensified disinflationary pressures. The CNB wording will continue to put the brakes on CZK appreciation in the near term.

Analyst: Michal Brozka (+420 234 40 1489)

Slovenia – For the first time Slovenian officials in the Central Bank and the government openly admit debating on possible external financial help in order to support the ailing banking sector. Up until now the wording by officials was very strict that no external help would be needed. Pressure from the European Commission has mounted in recent weeks as the transfer of non-performing loans into the bad bank had to be postponed. Nevertheless, despite a debate on the topic officials currently still stress that they plan to resolve the situation without external financial help. Yields increased slightly on the news. In our view Slovenia will continue trying to work without external help from the EU. But even in case of such financial assistance we would not expect stronger negative effects since the requirements on Slovenia in such a case should not be overly strict.

Analyst: Wolfgang Ernst (+43 1 71707 1500)

Romania – The yield curve steepened last week, with yields for maturities up to 3y remaining almost unchanged and longer-term yields advancing up to 15bp, at the 10y tenor. This once again confirms the segmentation of the market. This week, debt managers fulfilled the issuance plan for September, with mild upside pressures on yields. The main event next week will be the monetary policy meeting on Monday. The issuance plan for October will also attract some attention. We expect central bank to reduce the key rate by 50bp. The favourable inflation outlook (low underlying inflationary pressures and rapid disinflation), fragile lending activity and the still-low interest rate environment favour such a move.

Analyst: Gabriel Bobeica (+40 21 306 1369)

Croatia – On Thursday, the government introduced new guidelines for economic and fiscal policy from 2014 to 2016, which are quite disappointing, along with the new budget figures for 2013. Although the central government deficit for the Jan-Jul period already reached HRK 12.7 bn, the government expects it at HRK 10.2 bn at the end of the year (HRK 3 bn of cost for rehabilitation of debts in the health care system are not included). Furthermore, the government expects inflows from privatisation of Hrvatska poštanska banka and Croatia Osiguranje. However, the Finance Minister already announced a budget revision by the end of the year. The government also lowered the GDP growth forecast for this year to 0.2% (from 0.7%), which we still think is overly optimistic, and GDP should decline by some 0.5% yoy since the positive influence of the successful tourist season in Q3 is offset by decline in H1.

In 2014, the government expects expenditures to increase by HRK 8 bn (to HRK 131.7 bn) mostly amidst increased expenditures connected with EU entry (+HRK 4.7 bn), interest (+HRK 2.5 bn) and expenditures for persons employed in the public sector (+HRK 647 mn). On the other hand, revenues are expected to increase by 0.8% yoy to HRK 114.3 bn, which is also quite optimistic considering lower expected corporate income tax, the fact that the effects of fiscal discipline are one-off effects and the benefits from EU entry are not expected so soon. In increasing revenues the government will increase VAT inter-rate of 10%, which was introduced at the beginning of the year (food and beverages catering, hospitality, certain food products) to 13%. Consequently, the government expects a central government deficit of HRK 17.4 bn and a general government deficit of HRK 19.3 bn (5.5% of GDP) in 2014 based on a GDP increase of 1.3% (also overly optimistic). The deficit-to-GDP ratio could be even higher since we expect only a mild GDP increase. The government also introduced some planned reforms in the period up to 2016 (healthcare, pension system, social welfare, public administration), but only in general, without any specifics of what could we expect. All in all, we remain unimpressed and disappointed with the lack of ambition in structural reforms, once again seeking to avoid the necessary expenditure cuts. Rating agencies and investors will certainly recognise this, and thus in the near future we do not expect credit rating improvements and lower costs of financing. Furthermore, the government will have to start using the Eurostat methodology (in contrast to the IMF methodology it used so far), which means that certain public companies' debt and guarantees could be included in public debt. Consequently, public debt will surely increase above 60% of GDP in 2014 and with a budget deficit well above 3%, we are heading for the Excessive Deficit Procedure.

Analyst: Ivana Juric (+385 1 61 74 349)

Serbia – According to Finance Minister Lazar Krstic, thorough talks with the IMF could be launched in Q1 2014. Serbia will consider a new loan programme with the IMF after adopting the 2014 budget and concluding a technical mission by the IMF in early October. An IMF delegation will visit Belgrade next week (first week of October) to discuss recent economic developments and the government's policy agenda for 2014 and the medium term. The Ministry of Finance is trying to keep the budget deficit below 5% of GDP while public debt should total 65% by the end of the year. The reform programme is expected to be made public within the next two weeks while a tax reform would yield visible results as of 2015. Furthermore, the government should reach an agreement on pension system reform by mid-2014.

Analyst: Martin Stelzeneder (+43 1 71707 1614)

Russia – According to MinFin estimates, in 2013, non-oil revenues shortfall will be around RUB 494 bn. In addition, proceeds from privatization to cover the budget deficit will be RUB 370 bn - lower than previously expected. These shortfalls are planned to be covered by additional oil and gas revenues arising from the oil price difference. The Ministry estimates that the average 2013 oil price will reach USD 107/bbl compared to USD 97/bbl in the initial budget plan. As a result we see no urgent need in large placements of OFZ in Q4. Next week MinFin will announce its borrowing plan for Q4 which we expect to be around RUB 300 bn.

Meanwhile, the IMF has decreased the forecast for GDP in 2013 by 1 pp to only 1.5% growth vs. 2.5% estimated previously. However, IMF still expects an acceleration of the Russian economy in 2014, but at a slower pace, i.e. 3% vs. 3.25% (old forecast). The IMF motivates the decision mainly by the fact that the Russian Economy «is close to full capacity, with unemployment at historic lows and capacity utilization at pre-crisis highs». Taking into account current negative tendencies in industrial production, investments and construction such a downward revision seems reasonable. Nevertheless, our base case scenario is more optimistic (2% GDP growth in 2013).

Recent statements of Ksenia Yudaeva, the first deputy CBR chairperson, suggest that the regulator does not have intention to cut the key rates. The CBR will cut the rates when there is a clear inflation deceleration trend not only for this year but for 2014 as well and inflation is within the target corridor. Besides, market inflation expectations are higher than the CBR forecasts for year-end 2013. According to Ms. Yudaeva, in such circumstances monetary easing does not stimulate economic growth but pushes inflation up instead.

Analyst: Maria Pomelnikova (+7 495 221-9845)

Trading ideas

Short-term trading ideas

Recommendation	Entry date	Entry level	Target	Stop	Comments
Buy SI T-Bond 5y (ISIN: XS0292653994)	28/06/2013	94.778	100	90	Back to start because of global sell-off, good risk/reward for recovery once global panic calms over summer
Buy RON T-bond 2y (ISIN: RO1214DBN068)	21/06/2013	101.564	102.0	98.0	Some mild recovery expected following the latest overshooting

Source: Thomson Reuters, Bloomberg

Recently closed trading ideas

Recommendation	Entry date	Entry level	Closing date	Close	Total return	Comments
Buy TRY Sell EUR	19/08/2013	2.61	22/08/2013	2.66	-1.9%	Stopped out
Buy TRY Sell EUR	25/06/2013	2.54	31/07/2013	2.58	-1.5%	Stopped out
Buy CZK Sell HUF	28/06/2013	8.85	31/07/2013	8.60	2.9%	Target reached
Buy PLN Sell EUR	21/06/2013	4.29	21/07/2013	4.35	2.2%	Closed early
Buy RUB Sell EUR	21/06/2013	43.46	09/07/2013	42.49	2.2%	Closed early
Buy RON T-bond 3y (ISIN: RO1215DBN073)	21/06/2013	101.3	06/08/2013	102.5	1.2%	Target reached
Buy 10y TRY T-bond (TRT080323T10)	23/07/2013	90.60	25/07/2013	87.40	-3.5%	Stopped out

Note: This list contains only the strongest trading ideas for the markets that we cover. Therefore not every market forecast that implies a buy recommendation is also listed as a trading idea! Trading ideas may also differ from our quarterly forecasts, as the time horizon can be different. The time horizon of the trade is at least two weeks, but not more than 3 months.

Monetary policy and money markets overview

CEE key interest and money markets outlook

Poland	current*	Dec-13	Mar-14	Jun-14	Sep-14
Key interest rate (% eop)	2.50	2.50	2.50	2.50	2.75
1m money market rate (% eop)	2.40	2.63	2.63	2.64	2.88
3m money market rate (% eop)	2.47	2.73	2.75	2.80	3.10
6m money market rate (% eop)	2.51	2.75	2.90	3.00	3.35
Hungary					
Key interest rate (% eop)	3.60	3.50	3.20	3.20	3.20
1m money market rate (% eop)	3.60	3.60	3.30	3.30	3.30
3m money market rate (% eop)	3.58	3.80	3.50	3.60	3.70
6m money market rate (% eop)	3.55	3.90	3.83	3.83	4.03
Czech Republic					
Key interest rate (% eop)	0.05	0.05	0.05	0.05	0.05
1m money market rate (% eop)	0.05	0.05	0.05	0.05	0.05
3m money market rate (% eop)	0.13	0.20	0.20	0.20	0.20
6m money market rate (% eop)	0.57	0.30	0.33	0.33	0.33
Romania					
Key interest rate (% eop)	4.50	3.75	3.50	3.50	3.50
1m money market rate (% eop)	2.48	2.85	2.70	2.80	2.85
3m money market rate (% eop)	2.78	3.00	2.90	2.90	2.95
6m money market rate (% eop)	3.03	2.80	2.75	2.75	2.95
Russia					
Key interest rate (% eop)	5.50	5.25	5.25	5.25	5.25
1m money market rate (% eop)	6.59	6.70	6.50	6.65	6.75
3m money market rate (% eop)	6.80	7.10	6.95	7.10	7.20
6m money market rate (% eop)	7.14	7.40	7.15	7.35	7.45
Turkey					
Key interest rate (% eop)	4.50	4.50	5.00	5.50	5.50
1m money market rate (% eop)	6.97	7.20	7.50	7.60	7.60
3m money market rate (% eop)	7.00	7.40	7.70	7.80	7.70
6m money market rate (% eop)	7.67	7.50	7.80	7.90	7.80
Benchmark key rates (% eop)					
ECB key interest rate (% eop)	0.50	0.50	0.50	0.50	0.50
Fed key interest rate (% eop)	0.09	0.25	0.25	0.25	0.25

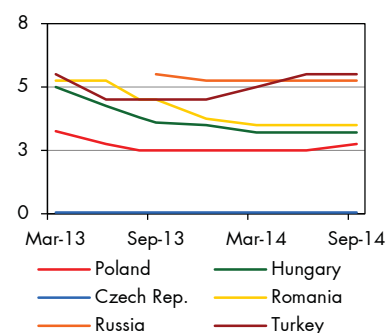
* Bid rates (for Hungary ask rates) as of 27 September 2013, 10:12 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Hard economic data continue to support MPC stance that rate cut cycle is finished; still very subdued price developments, with modest upside pressure recently
Hungary (MNB)	Interest rate cutting cycle to continue, but at lower speed
Czech Republic (CNB)	No change in interest rates expected in 2013, threat of FX intervention by central bank prevails
Romania (BNR)	50bp cut expected at the September meeting
Serbia (NBS)	NBS will wait for fiscal consolidation to cut key rate
Russia (CBR)	Recent statements of Ksenia suggest that the regulator does not have intention to cut the key rates
Turkey (TCMB)	No rate hike stance of TCMB receives currently support from unexpected Fed tapering postponement

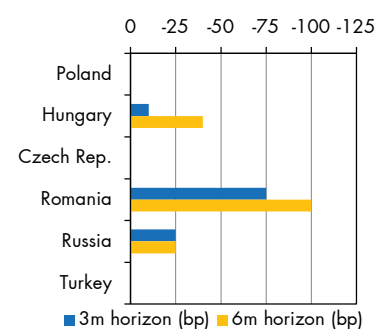
Source: Bloomberg, Reuters, Raiffeisen RESEARCH

Key rate trends (%)



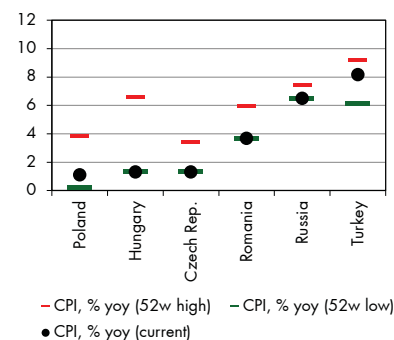
Source: Bloomberg

Key rate forecast (chg., bp)



Source: Bloomberg

Inflation snapshot



Source: Bloomberg, Raiffeisen RESEARCH

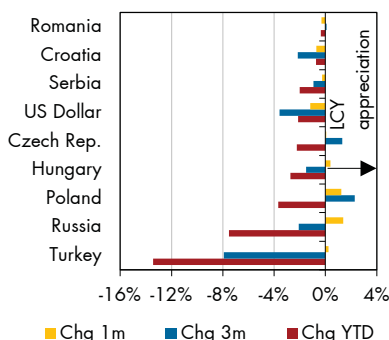
Rate setting meetings

	Sep	Oct
Poland (NBP)	4	2
Hungary (MNB)	24	29
Czech Rep. (CNB)	26	
Romania (BNR)	30	
Serbia (NBS)	12	17
Russia (CBR)	13	1st half
Turkey (TCMB)	17	23

Source: National Central Banks, Raiffeisen RESEARCH

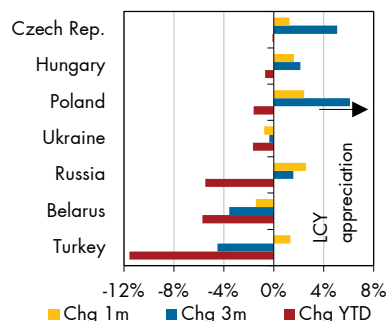
Foreign exchange market overview

Change of LCY value to EUR (%)



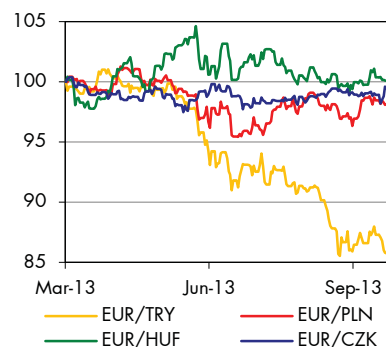
Source: Bloomberg

Change of LCY value to USD (%)



Source: Bloomberg

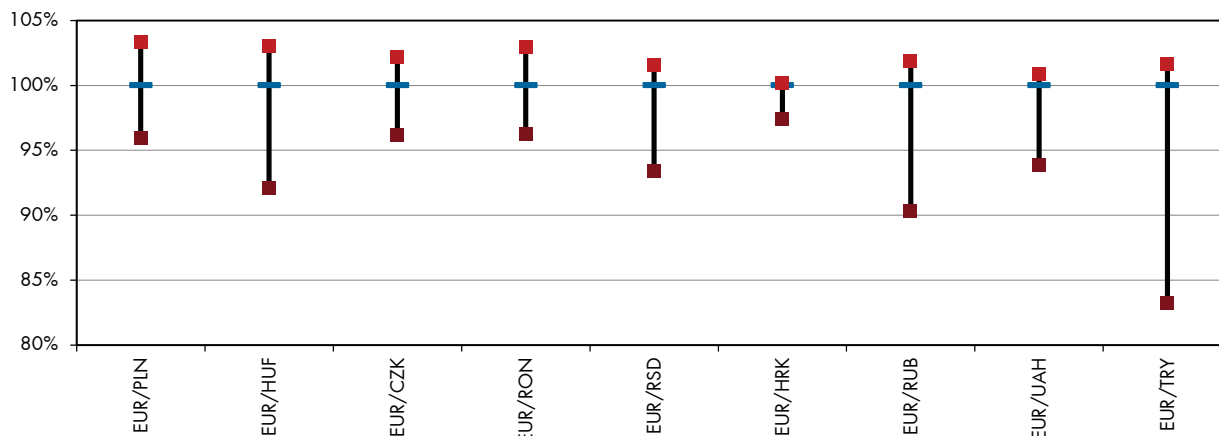
Exchange rate comparison



Indexed February 2013 = 100

Source: Bloomberg

CEE FX trading range*



* 365 day high and low, 100% is current value; value of above 100% is depreciation, below 100% appreciation

Source: Bloomberg

FX forecasts

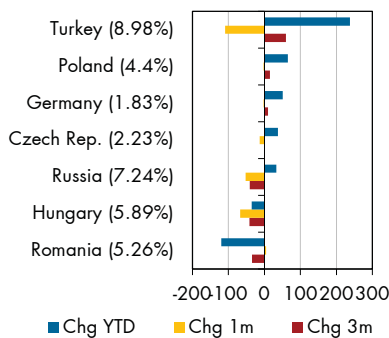
EUR vs	current ¹	Dec-13	Mar-14	Jun-14	Sep-14	Comment
PLN	4.23	4.15	4.10	4.00	4.05	Support area at EUR/PLN 4.18-4.20 still unlikely to be broken
HUF	299.8	300.0	305.0	300.0	305.0	After initial good reaction on Fed decision, HUF gradually depreciated back to 300 against EUR
CZK	25.67	25.50	25.40	25.10	24.90	EUR/CZK will continue to follow CNB wording on FX intervention
RON	4.46	4.50	4.45	4.50	4.50	Limited appreciation potential, even in the favourable external context
HRK	7.61	7.60	7.57	7.48	7.52	EUR/HRK trading in a tight range from 7.610 to 7.615
RSD	114.6	115.0	113.0	112.0	114.0	EUR/RSD weakening to continue as new government has to prove
RUB	43.78	42.95	42.54	42.79	42.63	see rouble basket below
UAH	11.03	10.66	10.74	10.71	10.75	see USD/UAH below
BYR	12,261	12,700	13,500	13,900	14,600	see USD/BYR below
TRY	2.74	2.54	2.62	2.71	2.62	see USD/TRY below
USD	1.35	1.30	1.31	1.29	1.28	Outlook for Fed exiting expansionary policy earlier than ECB negative for EUR
USD vs	current ¹	Dec-13	Mar-14	Jun-14	Sep-14	Comment
RUB	32.43	33.04	32.47	33.17	n.a.	see rouble basket below
UAH	8.17	8.20	8.20	8.30	8.40	Pressure on the peg likely to rise in 2014. We do not rule out some weakening, after administrative measures prove insufficient
BYR	9,065	9,800	10,300	10,800	n.a.	We further increased our depreciation expectation on weakening fundamentals
TRY	2.03	1.95	2.00	2.10	2.05	TRY is currently benefiting from Fed tapering postponement, but pressure should be revived once tapering materialises
RUB basket	37.54	37.50	37.00	37.50	37.50	Rouble FX rate again on the rise, after strong appreciation. Close to target range of our forecast (37-37.5)

¹ as of 27 September 2013, 10:15 a.m. CET

Source: Bloomberg, Raiffeisen RESEARCH

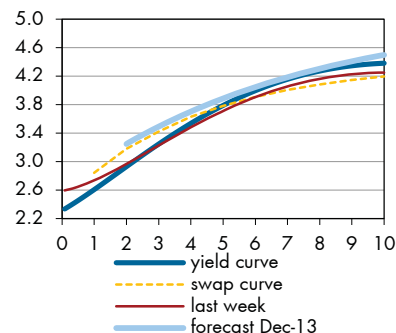
Local currency bond market overview

Change of LCY 10y bond yields (bp)



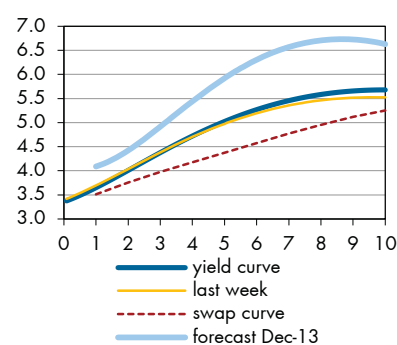
Source: Bloomberg

PLN yield curve



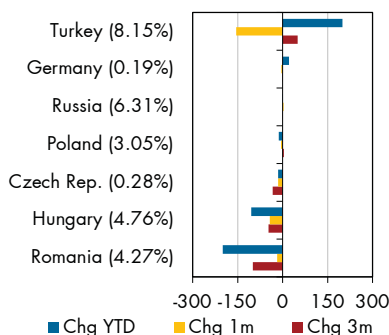
Source: Bloomberg

HUF yield curve



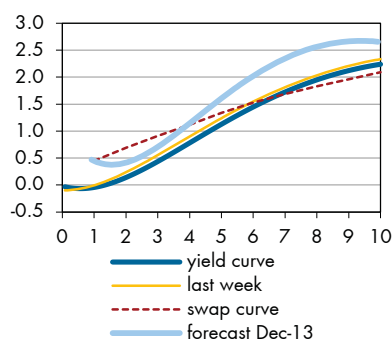
Source: Bloomberg

Change of LCY 2y bond yields (bp)



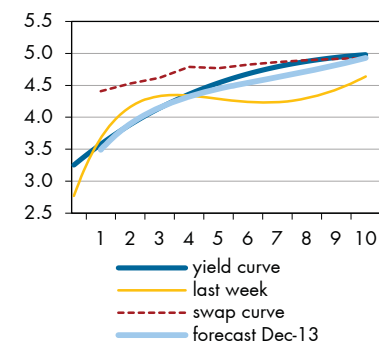
Source: Bloomberg

CZK yield curve



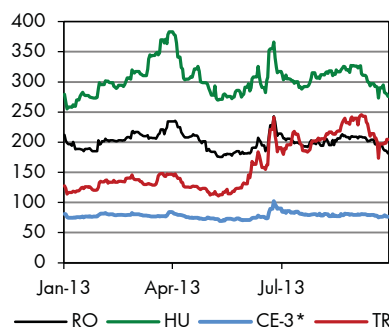
Source: Bloomberg

RON yield curve



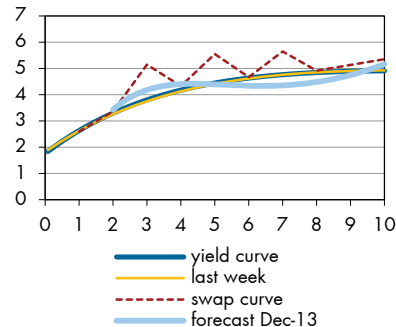
Source: Bloomberg

Spreads narrowed*



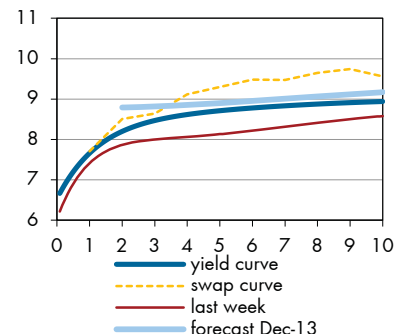
* CE-3: CZ, PL, SK; USD 5y CDS
Source: Bloomberg, Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg

TRY yield curve



Source: Bloomberg

Yield forecasts

2y T-bond yields (%)						10y T-bond yields (%)					
	current*	Dec-13	Mar-14	Jun-14	Sep-14		current*	Dec-13	Mar-14	Jun-14	Sep-14
Poland	2.98	3.2	3.4	3.5	3.6	Poland	4.38	4.6	4.6	4.7	4.8
Hungary	4.48	4.5	4.9	4.7	5.0	Hungary	5.72	6.5	6.8	6.5	6.8
Czech Rep.	0.18	0.3	0.4	0.6	0.8	Czech Rep.	2.19	2.6	2.8	3.1	3.2
Romania	4.05	4.0	3.9	3.9	3.9	Romania	5.11	5.0	5.0	5.1	5.2
Croatia	4.13	3.5	3.5	3.6	3.7	Croatia	4.87	5.5	5.6	5.6	5.6
Russia	6.28	6.2	6.0	6.3	6.0	Russia	7.23	7.2	7.0	7.3	7.2
Turkey	8.13	8.8	9.3	9.2	9.0	Turkey	8.93	9.2	9.7	10.0	9.9
Eurozone	0.19	0.3	0.4	0.6	0.8	Eurozone	1.82	2.1	2.3	2.7	2.8
USA	0.34	0.5	0.5	0.8	1.0	USA	2.65	3.0	3.1	3.2	3.3

* Ask yields as of 27 September 2013, 10:08 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon, %	Ask Price	YTM, %	Spread to Bunds, bp	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25.07.2015	0.00	94.85	2.96	277	1.8	Domestic data may support bond market, but general bearish tendency intact
PLN 5y Gov. Bond	25.07.2018	2.50	94.72	3.72	289	4.6	
PLN 10y Gov. Bond	25.10.2023	4.00	97.05	4.37	255	8.2	
Hungary							
HUF 3y Gov. Bond	22.12.2016	5.50	103.07	4.45	412	2.9	Short-end of yield curve dragged down further as rate cutting cycle continues
HUF 5y Gov. Bond	20.12.2018	5.50	102.41	4.96	413	4.5	
HUF 10y Gov. Bond	24.11.2023	6.00	101.88	5.75	393	7.5	
Czech Republic							
CZK 2y Gov. Bond	11.04.2015	3.80	105.81	-0.01	-20	xx	Czech government bond yields dropped after Fed decision
CZK 5y Gov. Bond	18.08.2018	4.60	116.40	1.13	29	4.5	
CZK 10y Gov. Bond	12.09.2022	4.70	120.43	2.16	34	7.7	
Croatia							
HRK 5y Gov. Bond	10.07.2018	5.25	103.33	4.47	363	4.3	Abundant liquidity supports demand for HRK denominated issues
HRK 8y Gov. Bond	05.03.2020	6.75	110.25	4.87	305	5.3	
Romania							
RON 3y Gov. Bond	29.08.2016	4.75	101.71	4.11	379	2.8	Faster and ampler easing cycle to support RON government securities
RON 5y Gov. Bond	26.07.2017	5.90	105.51	4.30	347	3.5	
Russia							
RUB 2y Gov. Bond	15.07.2015	6.88	101.15	6.28	609	1.7	Yield development uneventful after recent drop in the first half of September
RUB 5y Gov. Bond	03.08.2016	6.90	101.40	6.45	562	2.7	
RUB 10y Gov. Bond	24.11.2021	7.00	96.50	7.36	554	6.1	
Turkey							
TRY 2y Gov. Bond	13.05.2015	5.00	95.25	8.17	798	1.6	Local debt market to continue to receive some support on Fed tapering postponement until related pressure revives again
TRY 5y Gov. Bond	08.03.2017	9.00	101.20	8.59	776	3.0	
TRY 10y Gov. Bond	08.03.2023	7.10	87.95	9.02	720	6.7	

Prices as of 27 September 2013, 10:08 a.m. CET

Source: Bloomberg, Raiffeisen RESEARCH

Bond auctions

		ISIN	Coupon	Maturity	Volume
03 October 2013					
PL	n.a.	n.a.	n.a.	n.a.	n.a.
HU	n.a.	n.a.	n.a.	n.a.	n.a.

Summary: Ratings & macro data

Country ratings: CE, SEE, CIS

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A	A-	stable	A2	A2	stable	A	A-	positive
Hungary	BB	BB	negative	Ba1	Ba1	negative	BBB-	BB+	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A	A	stable	A2	A2	negative	A+	A+	stable
Slovenia *	A-	A-	stable	Ba1	Ba1	negative	BBB+	BBB+	negative
SEE									
Romania	BB+	BB+	stable	Baa3	Baa3	negative	BBB	BBB-	stable
Bulgaria	BBB	BBB	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB+	BB+	negative	Ba1	Ba1	stable	BBB-	BB+	stable
Serbia	BB-	BB-	negative	B1	B1	stable	BB-	BB-	negative
CIS									
Russia	BBB+	BBB	stable	Baa1	Baa1	stable	BBB	BBB	stable
Ukraine	B	B	negative	Caa1	Caa1	negative	B	B	negative
Belarus	B-	B-	positive	B3	B3	negative	not rated	not rated	not rated
Kazakhstan	BBB+	BBB+	stable	Baa2	Baa2	stable	A-	BBB+	stable
Turkey	BBB	BB+	stable	Baa3	Baa3	stable	BBB	BBB-	stable

* Eurozone (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red
Source: rating agencies websites

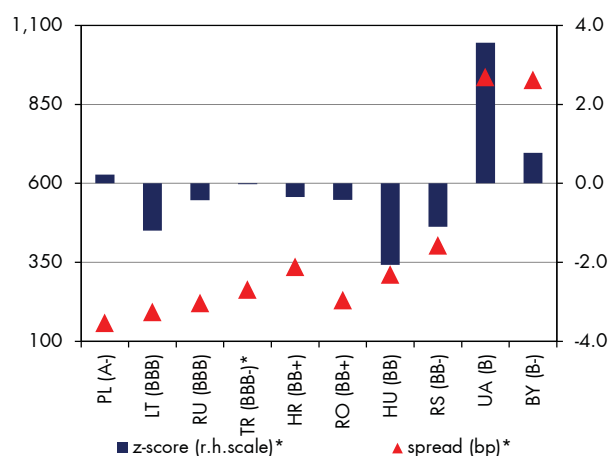
Main macro data & forecasts *

Country	Year	GDP, % avg. yoy	CPI, % avg. yoy	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export**, % GDP	C/A, % GDP	Ext. debt, % GDP	FXR*** % ext. debt	Import cover, months
Croatia	2012	-2.0	3.4	19.1	1047	-4.1	53.7	22.3	0.0	102.3	25.0	8.5
	2013e	-0.5	2.5	19.8	1027	-4.5	61.8	20.6	-0.7	103.1	24.5	8.7
	2014f	1.0	2.7	19.5	1024	-3.6	65.4	19.5	-0.9	99.8	24.7	8.8
Czech Rep.	2012	-1.2	3.3	6.8	1000	-4.4	45.9	67.2	-2.5	50.7	44.0	4.2
	2013e	-1.0	1.5	7.6	985	-2.9	48.4	69.1	-1.0	51.5	45.5	4.4
	2014f	1.9	1.2	7.4	1041	-2.9	49.6	71.6	-0.8	50.5	45.2	4.1
Hungary	2012	-1.7	5.7	10.9	771	-1.9	79.2	82.6	1.9	126.8	27.6	5.5
	2013e	0.5	2.0	10.6	783	-2.9	78.7	84.0	2.6	119.2	25.9	4.8
	2014f	1.5	2.5	9.9	802	-2.9	77.2	84.1	2.8	110.3	25.5	4.4
Poland	2012	1.9	3.7	12.8	842	-3.9	55.6	38.4	-3.5	72.4	29.9	6.5
	2013e	1.2	1.2	14.0	866	-4.1	57.1	39.5	-2.6	73.1	30.5	6.7
	2014f	2.5	2.0	13.1	926	-3.8	57.6	39.1	-4.0	70.9	30.3	6.3
Romania	2012	0.7	3.3	7.0	467	-2.9	37.8	34.2	-3.8	75.2	31.5	7.2
	2013e	2.5	4.2	7.3	493	-2.8	38.5	34.5	-1.0	70.9	31.5	7.0
	2014f	2.0	2.2	7.2	512	-2.5	38.9	36.2	-2.0	69.6	29.1	5.9
Russia	2012	3.4	5.1	5.7	671	0.4	10.5	26.3	3.7	30.9	76.3	17.0
	2013e	2.0	6.7	6.0	690	-0.5	11.0	24.3	2.8	33.7	67.2	16.9
	2014f	2.0	5.5	6.0	728	-0.2	11.5	23.5	2.0	34.0	61.6	15.6
Ukraine	2012	0.2	0.6	7.7	290	-5.5	36.8	40.0	-8.5	76.3	17.0	2.9
	2013e	1.0	-0.2	7.5	320	-4.0	37.5	37.4	-6.6	77.3	11.9	2.4
	2014f	1.5	5.0	7.0	350	-5.0	39.0	38.4	-6.5	76.5	11.7	2.2
Turkey	2012	2.2	9.0	9.2	749	-2.4	36.8	19.4	-6.1	45.2	27.7	5.0
	2013e	3.5	6.0	9.5	711	-2.2	35.0	19.0	-6.7	46.3	19.7	3.6
	2014f	3.5	6.7	9.3	706	-2.5	33.0	18.8	-6.6	49.5	17.4	3.6

* only for countries included in CEE bond market weekly, ** Export of Goods only, *** FXR - Foreign exchange reserves
Source: Thomson Financial Datastream, National Statistics

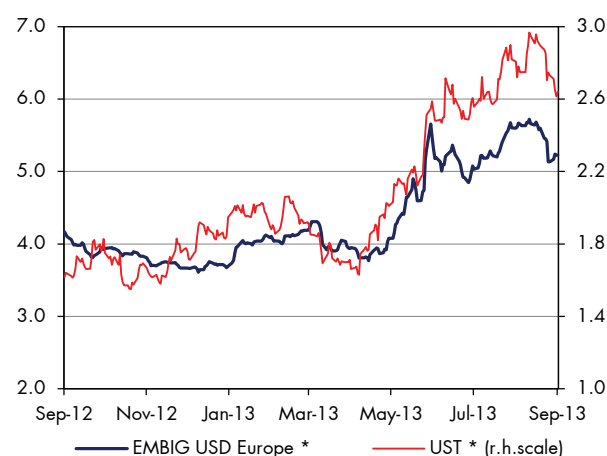
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note
Source: Thomson Reuters, Raiffeisen RESEARCH

Issuer/rate/due	Market Price					YTM mid.	Spread vs.	Mdur.	ISIN
	Bid	Ask	w/w %	52w max	52w min	% p. a.	Bmk, bp	years	—
EUR									
BGARIA 4 1/4 07/09/17	107.1	107.3	-0.14	110.5	106.7	2.23	175	3.5	XS0802005289
CROATI 6 1/2 01/05/15	105.0	105.2	-0.46	112.7	104.9	2.33	215	1.2	XS0431967230
CROATI 5 7/8 07/09/18	106.2	106.9	-1.12	111.3	103.6	4.31	355	4.1	XS0645940288
REPHUN 3 1/2 07/18/16	100.3	101.0	-0.42	100.8	93.4	3.25	295	2.6	XS0240732114
REPHUN 5 3/4 06/11/18	103.3	104.0	-0.24	108.1	99.0	4.85	411	4.0	XS0369470397
REPHUN 6 01/11/19	104.2	105.2	-0.36	109.3	99.6	4.97	411	4.3	XS0625388136
LITHUN 4.85 02/07/18	109.5	109.8	-0.23	113.0	107.5	2.49	186	3.8	XS0327304001
POLAND 3 5/8 02/01/16	105.8	106.2	-0.25	108.7	106.0	1.01	77	2.2	XS0242491230
POLAND 1 5/8 01/15/19	98.7	99.4	-0.65	102.3	98.0	1.81	95	5.0	XS0874841066
POLAND 3 3/4 01/19/23	105.9	106.6	-0.77	113.1	104.5	2.97	126	7.6	XS0794399674
POLAND 3 3/8 07/09/24	100.8	101.3	-0.37	107.4	99.3	3.26	134	8.9	XS0841073793
ROMANI 5 1/4 06/17/16	106.7	107.2	-0.61	109.2	104.2	2.55	227	2.5	XS0638742485
ROMANI 4 7/8 11/07/19	103.8	104.3	-0.15	109.4	99.0	4.10	311	5.0	XS0852474336
TURKEY 5 7/8 04/02/19	109.7	110.7	-0.60	119.4	107.5	3.77	289	4.6	XS0285127329
TURKEY 5 1/8 05/18/20	105.9	106.9	-0.15	115.9	102.4	4.01	290	5.5	XS0503454166
USD									
BGARIA 8 1/4 01/15/15	108.9	109.2	-0.22	116.4	109.2	1.14	97	1.2	XS0145623624
BELRUS 8 3/4 08/03/15	97.1	98.7	-1.33	106.1	94.3	10.03	973	1.6	XS0529394701
BELRUS 8.95 01/26/18	94.9	96.8	-2.64	111.2	90.0	10.16	898	3.4	XS0583616239
CROATI 6 3/8 03/24/21	104.5	105.7	-1.07	118.5	101.4	5.54	337	5.9	XS0607904264
CROATI 5 1/2 04/04/23	97.4	98.1	-0.63	109.0	93.9	5.81	322	7.1	XS0908769887
REPHUN 5 3/8 02/21/23	97.9	98.4	1.05	106.0	93.0	5.63	306	7.2	US445545AH91
REPHUN 7 5/8 03/29/41	108.0	108.9	0.14	125.3	97.0	6.93	335	12.0	US445545AF36
LITHUN 7 3/8 02/11/20	120.9	121.9	0.16	131.0	118.0	3.58	171	5.2	XS0485991417
LITHUN 6 5/8 02/01/22	117.0	118.4	0.85	128.9	113.7	4.09	175	6.5	XS0739988086
LATVIA 2 3/4 01/12/20	94.9	95.8	0.71	101.2	91.3	3.59	174	5.7	XS0863522149
LATVIA 5 1/4 06/16/21	108.2	109.3	0.16	117.4	105.2	3.93	172	6.3	XS0638326263
POLAND 3 7/8 07/16/15	105.0	105.4	-0.07	107.8	104.2	0.93	64	1.7	US731011AS13
POLAND 6 3/8 07/15/19	116.5	117.0	-0.75	125.9	114.3	3.19	150	4.9	US731011AR30
POLAND 3 03/17/23	91.7	92.2	-0.51	101.3	87.4	4.04	146	8.1	US731011AT95
ROMANI 6 3/4 02/07/22	113.7	114.0	-0.23	124.4	108.4	4.72	238	6.4	US77586TAA43
ROMANI 4 3/8 08/22/23	95.8	96.3	-0.01	105.5	90.4	4.88	222	7.9	US77586TAC09
RUSSIA 4 1/2 04/04/22	102.3	103.4	-0.55	116.2	97.7	4.10	172	6.9	XS0767472458
RUSSIA 7 1/2 03/31/30	118.7	119.0	0.36	128.7	114.6	3.90	89	5.0	XS0114288789
RUSSIA 5 5/8 04/04/42	103.2	104.1	0.08	125.0	95.6	5.37	173	14.0	XS0767473852
SERBIA 5 1/4 11/21/17	99.9	101.1	0.50	107.1	95.9	5.11	400	3.6	XS0856951263
SERBIA 4 7/8 02/25/20	93.4	94.7	0.50	99.0	89.3	6.00	413	5.4	XS0893103852
TURKEY 6 1/4 09/26/22	108.7	109.8	-1.13	127.3	102.4	4.96	249	6.9	US900123BZ27
TURKEY 6 7/8 03/17/36	108.1	109.6	-1.03	139.9	98.4	6.14	282	11.8	US900123AY60
TURKEY 6 3/4 05/30/40	107.2	108.1	-1.68	139.7	97.2	6.16	262	12.5	US900123BG46
UKRAIN 7 3/4 09/23/20	86.6	88.9	-3.64	108.1	85.5	10.25	819	5.1	XS0543783194
UKRAIN 7.8 11/28/22	85.8	86.3	-4.33	107.0	83.4	10.18	767	6.0	XS0858358236
UKRAIN 7 1/2 04/17/23	84.4	85.1	-4.90	101.8	82.5	10.02	743	6.2	XS0917605841

* w/w - week on week, 52w - 52 week, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 27 September 2013, 07:48 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

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